

DEPARTMENT OF PUBLIC SERVICE MEDIA RELEASE

FOR IMMEDIATE RELEASE August 29, 2003
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SALE OF CITIZENS TRANSMISSION LINES TO VELCO WILL MEAN \$1.6 MILLION REFUND TO CUSTOMERS

MONTPELIER B The Public Service Board last week approved a settlement among Department of Public Service (DPS), Citizens Electric Services (Citizens), and the Vermont Electric Power Company (VELCO), in which Citizens will sell transmission assets to VELCO. The decision will result in substantial savings to ratepayers and pave the way for a project to improve transmission reliability in the northern part of the state

The approved settlement includes a refund to Citizens customers of approximately \$1.6 million. Three quarters of the refund will go to retail customers and the remainder to wholesale customers.

"This sale of assets benefits every party in many significant ways. Ratepayers, as well as all the companies involved, come out ahead financially, and the sale also improves the bottom line for an important transmission upgrade project, the Northern Loop Project, which benefits the state as a whole with increased reliability," said David O'Brien, Commissioner of Public Service. "The very thorough technical evaluation by the Department's electrical engineer, Steve Litkovitz, demonstrated substantial system reliability benefits, in addition to the financial benefits of this sale," he continued.

Under the terms of the settlement, Citizens will sell its entire 120 kilovolt (kV) transmission line, a portion of its 46 kV transmission lines, and three transmission substations to VELCO. The sale is part of Citizens' ongoing efforts to divest its Vermont assets, an effort which also includes the pending sale of its distribution territory to Vermont Electric Cooperative.

The acquisition of Citizens' transmission assets substantially reduces the cost to VELCO of completing the Northern Loop Project, an upgrade to Vermont's transition system that will improve reliability of the electrical system by serving northern Vermont from multiple paths, rather than a single transmission line. (The Northern Loop Project is separate from another major, proposed transmission upgrade, the Northwest Reliability Project, for which regulatory approval is pending.) Conservatively estimated, Velco will save \$15 million by purchasing the Citizens assets rather than constructing a new 115 kV transmission line that would otherwise be needed between Highgate and Irasburg.

Under the terms of the settlement, Citizens will refund approximately \$1.6 million of accumulated depreciation on the assets being sold. Seventy-five percent of the refund will go to current Citizens' customers in the form of bill credits based on proportionate electric usage for the most recent

twelve months. The credits will be given over a period of six months following the closing of the sale. The remaining 25 percent will be refunded to Citizens' wholesale transmission customers, which include Vermont Marble, Barton Electric Department, the Orleans Electric Department, the Enosburg Falls Water & Light Department, and Central Vermont Public Service. The approved settlement contains provisions on the application of the wholesale customers' refund for the benefit of their own retail customers.

Citizens' ratepayers will further benefit from the sale through a reduction in transmission costs estimated at approximately \$500,000 annually. These cost savings will be reflected in the calculation of future rates. Citizens' transmission customers will also save an additional \$400,000 or so per year, savings that will ultimately be passed along to consumers.